

DIRECT TO DIRECTORS

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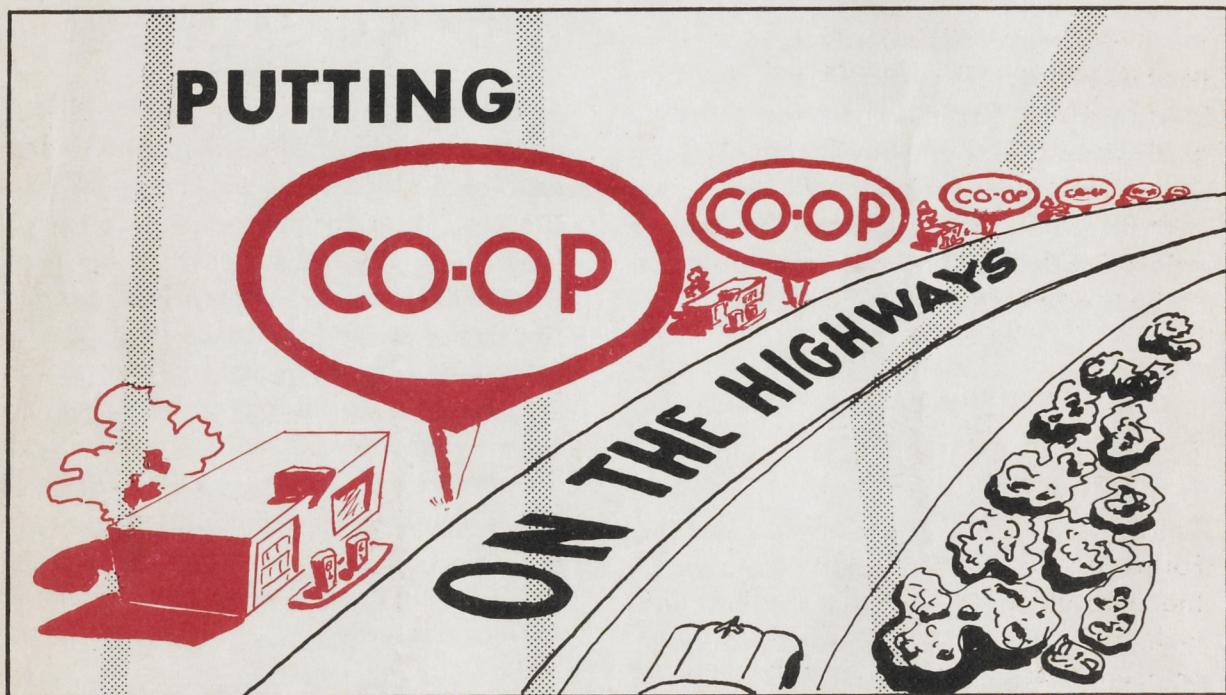
To:

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91 McAdam Ave.,
WINNIPEG 4, Manitoba.

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JULY, 1956.



An ambitious \$250,000-service station program by FCL, designed to place at least 15 new Co-op service stations on the highways of FCL-Land in 1956, has already commenced.

Given formal approval by Federated's Board on February 22, the first station under the new plan was officially opened at Moosomin

on June 2. Another is in the course of construction at Portage la Prairie and others are scheduled for commencement in the near future.

Although FCL will assist in initial financing, the new stations will be owned and operated by local Co-ops. Selection of locations is being made in consultation with local managers and Boards of Directors.

PURPOSE

The main purpose of the program is to expand sales of CO-OP premium gasolines. However, in recommending the plan to the FCL Board, General Manager, D. E. Stewart, also advised that "the expansion program will assist local associations to enter the service station field so that a complete petroleum service may be available to the members. In addition to CO-OP gasolines and lube oils, service stations will be in a position to supply members with the new CO-OP tires, CO-OP batteries, and other automotive supplies."

Mr. Stewart also advised that another important purpose of the program is to achieve a better balance in production at the Co-op refinery in Regina. "At the present, local associations are buying mainly farm fuels. To run our refinery efficiently, we must increase the production and sale of premium gasolines and this service station program is a means to that end."

REPAYMENT ON THROUGHPUT BASIS

Following selection of a suitable location, the plan calls for financial assistance by FCL in construction of the station, with payment being made by the local association on a throughput basis at the rate of 2¢ per gallon. According to figures worked out by the FCL Petroleum Marketing Branch, capital costs of a one-bay station can be paid out in about ten years on a 100,000-gallon volume per year. When earnings and depreciation are taken into account, the payout time is only five years. With a 200,000-gallon yearly volume, the payout time is just a little over two years.

SELECTION OF SITES

Four main factors are taken into account by FCL in determining location of stations. First, and most important, is a large enough local membership to support a station without depending on the travelling public. Second, if possible, the station should be on a highway to gain volume from both local and travelling automobiles. Third, FCL is desirous, in the initial stages, of establishing as many stations as possible within economic range of the refinery. The fourth factor is the enthusiasm and initiative of local members and management.

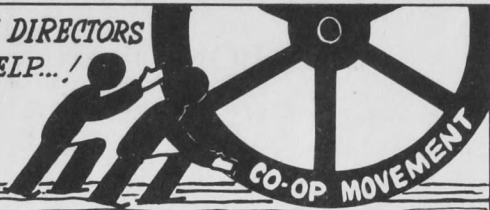
THE EFFECT ON REFINERY EARNINGS

According to figures released by refinery officials, a barrel of crude oil produces a ratio of 63% gasoline to 37% middle distillates. With our farm volume of heavier fuels being so large compared to our gasoline sales, it follows that refinery production is not properly balanced. If gasoline sales could be built up to fit this ratio, we would have a balanced production. The Refinery should be able to make additional earnings of about \$325,000 on the 120,000,000-gallon production expected for 1956. This extra earning is greater than FCL's whole capital investment in service stations this year!

THE LONG-TERM PLAN

Tentative plans call for a minimum of 15 new service stations in 1956, and 100 new Co-op service stations by 1956. At the present time, a few Co-ops in both Manitoba and Saskatchewan operate modern service stations and are doing a fine job. The new program is a major co-ordinated effort to put "Co-op service stations on the highways of FCL-Land."

**WHERE DIRECTORS
CAN HELP...**



Our leadarticle in this issue deals with the Service Station Program. It points out the vital importance to Federated's earnings of selling more of the premium gasolines.

Directors can help this program along by encouraging friends and neighbors to buy every possible gallon at the Co-op. We

all recognize that our network of Service Stations in FCL-land is still far from adequate. In many places, it is inconvenient or impossible to fill your car's gas tank with CO-OP gasoline.

However, when co-operators realize the importance of greater volume in premium gasolines, many of them will undoubtedly make a special effort to "Buy Co-op."

Tell your co-operative friends "that every gallon counts."

CO-OP DIGEST - YES or NO

Some of our older directors will remember "The Canadian Co-operator." That magazine did yeoman service in the early years of Canadian Co-ops. It ceased publication in 1947.

Now, the Co-op Union of Canada is sponsoring a new quarterly magazine venture - "The Co-op Digest." A target has been set of 4,000 paid-in-advance subscriptions before beginning publication.

We have often called FCL-land, "Canada's Banner Co-op Area." This statement is not mere boasting, but is backed by many facts. By the same token, we know that many of those 4,000 subscriptions will have to come from FCL-land if The Co-op Digest is to be published. Directors and Managers are the logical people to subscribe to such a magazine.

Contents will be:

- * Reports on Canada's Co-ops
- * News of Co-ops Abroad
- * Stimulating Articles by Co-op Leaders
- * Technical Papers by Experts
- * Open Forum Discussions
- * Book and Film Reviews

How about you and your co-op? Are you interested? If so, send in the coupon below.

TO: Director of Information,
Federated Co-operatives Limited
SASKATOON, Saskatchewan.

Enclosed is \$ _____ for _____ subscriptions to the "The Co-op Digest." Cost is \$2.50 per year, with a special rate to co-ops of \$60.00 for 10 three-year subscriptions.

NAME _____

ADDRESS _____

(If subscribing for more than one, please list names and addresses on a separate sheet)



Have you ever been badgered by your son or daughter to "buy the cornflakes with the airplane in them or to get some coupons"? If you say "No," you feel like a heel, because, "After all, Dad, it takes only 10,000 coupons and I get a bike -- Absolutely Free"!

Well, if you have been bothered before, you had better brace yourself. It looks as if worse things are on the way. It may be just a storm that won't hit us, but the sky to the south and east has some dark clouds. In the middle of these clouds is a flock of things called "Trading Stamps." They look like the "gimmick to end all gimmicks" in retail stores.

Here's the background story.

This gimmick was started in United States. For two years, goods in some American stores have carried "Trading Stamps." The customer receives stamps based on the amount of his purchases. These stamps are redeemable in the Stamp Company's premium store. For example, with stamps secured through the purchase of \$2,700 worth of groceries, you can get an electric floor polisher. (This polisher retails for \$25.00.)

In U.S.A. the plan is highly organized. Stamp companies are flourishing. Estimates of what retailers pay to the Stamp Companies for this gimmick vary from \$212 million to \$490 million per year. Over 50 percent of the United States families are reported to be saving the trading stamps.

At first it appears to work. Sales increases of up to 35 percent have been reported. However, the 'Financial Post' notes that: "U.S. experience has shown that sales in stores increase rapidly when the stamp plans start, but sag badly when everyone has them. Then the prices begin to rise (2% - 3%) and the only people who make money are the Stamp Companies."

In Canada, the Canadian Government saw fit to protect the consumer by legislation so strong that use of trading stamps was made illegal under the Criminal Code. Some of the wording of the Criminal Code outlawing the trading stamp practice is a bit broad and one of the American Stamp Companies believes that it has been able to interpret the wording of the Criminal Code in such a way that the Code does not apply to its use of the stamp gimmick. The Company is testing its interpretation in the Ottawa Valley by trying out the "Trading Stamp" gimmick there. The Retail Merchants Association is challenging the Stamp Company's interpretation of the Criminal Code and it appears likely that the interpretation will be tested in court.

To illustrate how the scheme works against the interest of the consumer, it is evident that a 3 percent increase on \$2,700 of purchase would mean an extra cost of \$81 for the consumer. In return for this \$81 increase in cost, the consumer could secure at the Stamp Company's premium store a floor polisher which retails regularly for \$25. Should Canadian consumers be exploited by such gimmick schemes?